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VENTURE CAPITAL

New kid on investment block seeds dozen startups, looks to raise up to \$50 million

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During its heyday, the 16th floor of Two Galleria Tower represented the face of

venture capital activity in Dallas.

Today, the bustle has slowed, with many firms there no longer investing new money.

Over in Irving, however, a new venture capital firm is funding startups and early-stage companies in Dallas, Silicon Valley and Seattle. In the last two years, Naya Ventures has committed \$3.3 million to 12 startups.

Having raised \$10 million, the firm is now soliciting institutional investors to increase its fund to \$50 million.

“We need it in Dallas,” said Dayakar Puskoor, co-founder and a managing partner at Naya Ventures. “Dallas is growing and has excellent talent.”

Naya — which means new in Hindi — is a welcome addition in Dallas, which has few homegrown venture firms investing in early-stage companies. Venture capital investment in North Texas fell to its lowest point last year in at least 17 years. And Austin attracts more new venture investing than Dallas.

Trailblazer Capital and Silver Creek Ventures are the established Dallas-based venture firms that remain active. Newer firms include Dallas Venture Partners and Remeditex Ventures, both of which began investing in 2011.

Besides Naya’s activity, other recent signs point to a renewed investment landscape in North Texas.

Miami-based venture firm Medina Capital recently established a Dallas office. It invested \$9 million of the total \$10 million funding in Dallas-based PureDiscovery, a provider of semantic discovery solutions.

On the Galleria's 16th floor, a new venture capital firm is hoping to revitalize investing activity that made the location well-known among Dallas entrepreneurs and investors. Jack Blount, a general partner of newly formed Bold Star Ventures, is raising money for a \$100 million to \$150 million fund.

Since the fallout of the dot-com and telecom busts in the early 2000s, the venture capital industry nationwide has been shrinking. Firms are consolidating, and it's become more difficult to raise money, said John Taylor, head of research at the National Venture Capital Association.

The number of actively investing firms fell dramatically to 522 last year from 1,053 at its peak in 2000, according to the group.

Similarly, U.S. venture firms invested about \$27 billion in young companies last year, down from \$105 billion in 2000, accordingly to the MoneyTree report, a survey widely followed by the industry.

It's no different in North Texas. Last year, investors poured \$116.8 million into North Texas startups and young companies, the lowest level of investment since the MoneyTree report began collecting data in 1995.

Numbers don't always tell the whole story, venture capital investors say.

"I'm very optimistic about the Dallas market, and I think there's a lot of phenomenal early-stage companies and great entrepreneurs here," said Matt Himelfarb, a managing partner at Dallas Venture Partners, which closed on its second deal recently.

"I still think on the national stage that we don't get the credit we deserve. If there's more venture capital money in Dallas, that's a great thing. I don't think we're doing a terrible job now by any stretch of the imagination."



From left, Naya Ventures managing partners Prabhakar Reddy, Dayakar Puskoor, Vishwenath S. Kizhapandal and Hari Kalyanaraman are former executives and entrepreneurs in the wireless space. (Sarah Hoffman/Staff Photographer)

In October, Silver Creek Ventures was part of a group of investors that poured \$4.2 million into Dallas-based digital travel organizer Traxo.

John Adler, a general partner at Silver Creek, has lived through the expansion and contraction of the industry nationwide and in Dallas.

Adler, who got into the venture business in 2001, said capital has become scarcer because institutional investors have become weary of tying up their cash in venture funds that typically have long investment periods.

At the same time, Adler and other investors note the rise in angel investment in North Texas and across the country. Entrepreneurs also can now raise millions of dollars from angels, mostly wealthy individuals who put up their own money in risky startups and young companies.

“People ask me, ‘How do we get more venture funds in Texas?’ The answer is ‘Grow them,’” Adler said. “Usually they come from successful entrepreneurs who have money, time and sweat equity to put into companies. The former entrepreneurs are putting up a fraction of the capital and using other people’s money on top of that to make the deal bigger. Naya Ventures is doing exactly that.”

Naya was founded by entrepreneurs with experience in technology, mobile and cloud spaces. The firm focuses on mobile, cloud and “big data” startups and early-stage companies.

Given its expertise and connections with tech companies such as Microsoft, Naya is not interested in just bankrolling a startup.

Puskoor, who founded an early wireless software company called JPMobile, recalled that when he was looking for venture capital investment, he got little advice. Puskoor wanted to start a venture firm that was focused on entrepreneurs and would contribute to the Dallas startup ecosystem.

“If they only want money, we are not the right one for them,” said Puskoor, who sold Dallas-based JPMobile in 2005 for \$500 million to Good Technology, which was later acquired by Motorola.

Puskoor is joined by managing partners Prabhakar Reddy, a co-founder at an employment services firm with 20 years of strategy and operations experience, and Gowri Shankar, who was part of Sprint PCS’ founding team.

Shankar heads Naya’s Seattle office. Naya also has an office in India.

The firm seeks access to promising startups before they are discovered by larger investors. They help young companies with strategy, business development and sales as well as raise additional money from larger venture capital firms.

Bryan Trussel, founder and chief executive of Seattle-based Glympse, said Naya’s early investment came at a crucial time for the secure location-sharing platform, which was low on funds. Glympse’s board chairman is a Naya adviser

Besides the financial support, Trussel said, Naya was an involved partner, making key introductions and providing strategy guidance. Soon after Naya's investment, Glympse raised \$7.5 million in venture funding.

"The ideal case is where it's smart money. It comes with money and brings in a bunch of assets, wisdom and connections. They definitely fall into the latter category for us," Trussel said of Naya.

Of 12 companies in Naya's portfolio, three are based in Dallas.

One is OyoKey, a cloud-based marketing platform that tags information using addressing and recognition technology.

Founder Nitin Anand met Reddy on a flight to Dallas from Seattle in spring 2012. A conversation about Anand's work led to a relationship where Naya provided advice and resources such as office space for Anand to continue developing his technology.

Earlier this year, Naya invested seed money in OyoKey.

"They're looking at us and seeing that this technology is something they want to work with in the future," Anand said. "They're supporting us a lot."

Naya executives say they expect to see more deals out of Dallas. Of the 250 companies in its database, about 40 percent are from Texas.

So far, Naya's investments have returned 1.8 times their value in unrealized gains, according to the firm.

"We're the new kid on the block, but we've been able to show what we do," Puskoor said. "The progress we've made so far, to be honest with you, we never thought we would be at this stage." ■